

Message Text

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66

ACTION AF-18

INFO OCT-01 ADP-00 NEA-10 CIAE-00 DODE-00 PM-09 H-02

INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15

USIA-12 RSR-01 /096 W

----- 016785

R 091540 Z MAY 73

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 9467

INFO AMEMBASSY ADDIS ABABA

AMCONSUL KADUNA

AMEMBASSY TRIPOLI

C O N F I D E N T I A L LAGOS 3737

E. O. 11642: GDS

TAGS: PFOR, NI, OAU, XF

SUBJECT: NIGERIA, OAU, AND MIDDLE EAST

1. FMG HAS NOT REPLIED OFFICIALLY TO MESSAGE FROM LIBYAN HEAD OF STATE QUADDAFI URGING BOYCOTT OF OAU SUMMIT BECAUSE OF ETHIOPIAN TIES WITH ISRAEL. EFFECTIVE ANSWER EXPECTED TO COME IN FORM GOWON ATTENDANCE AT SUMMIT, THUS IMPLICITLY REJECTING LARG PROPOSAL.

2. NIGERIAN PRESS HAS DISPLAYED USUAL DIVISION ON QADDAFI MESSAGE, WITH SOUTHERN- BASED TRIBUNE AND RENAISSANCE ATTACKING LIBYAN LEADER FOR EFFORT TO DICTATE POLICY OF OTHER OAU STATES AND NORTHERN- BASED NEW NIGERIAN IMPLICITLY SUPPORTING QADDAFI CALL FOR CHANGE IN OAU HEADQUARTERS SITE. NEW NIGERIAN ALSO TOOK OPPORTUNITY REITERATE ITS PRO- ARAB LINE (SEE, FOR EXAMPLE, KADUNA 0215), CONTENDING THAT EFFORT BY " BLACK AFRICA" (READ FMG) TO MAINTAIN GOOD RELATIONS WITH BOTH ISRAEL AND ARAB STATES IS " INCREASINGLY UNTENABLE DOUBLE ROLE" AND THAT " CHOICE HAS TO BE MADE," PRESUMABLY ON ARAB SIDE IN INTERESTS OAU SOLIDARITY.

3. COMMENT: AS REPORTED LAGOS 1366 AND A-69 (NOTAL), FMG
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TREADS CAUTIOUS MIDDLE GROUND IN ARAB- ISRAELI DISPUTE AND SEEKS MAINTAIN GOOD RELATIONS WITH ALL PARTIES TO CONFLICT. DESPITE PRESSURE FROM LARG (AND OTHER ARABS) AND PRO- ARAB SENTIMENT IN NORTHERN NIGERIA, WE SEE NO SIGN OF ANY

IMPENDING CHANGE IN FMGT WOULD CONSIDER
A REFIXING A \$2.40 TO \$2.45 A VIABLE RANGE. FLOAT, AT
LEAST AS SEEN BY SOURCE' S DEALING ROOM, HAS BEEN
EXCEPTIONALLY CLEAN DURING THE LAST TWO MONTHS WITH
LITTLE OR NO BANK OF ENGLAND INTERVENTION NOTICEABLE
IN THE MARKET.

3. BANK OF ENGLAND SOURCE REPORTS THAT CURRENT UK
POLICY IS TO INDUCE LOCAL AUTHORITIES TO BORROW EURO-
DOLLARS BY INSURING THAT THE EFFECTIVE COST TO UK
BORROWER IN DOLLARS IS ABOUT HALF A PERCENT LESS THAN IN
STERLING. FOR EXAMPLE, IF STERLING INTEREST RATE IS
10 PERCENT AND RATE ON A LONG TERM EURO- DOLLAR BORROW-
ING IS 8 PERCENT, BANK OF ENGLAND ITSELF WILL PROVIDE
FORWARD COVER AT A COST OF 1.5 PERCENT, LEAVING A HALF
PERCENT, I. E., 50 BASIS POINTS, DIFFERENTIAL AS A FORM
OF INDUCEMENT TO UNDERTAKE THE BORROWING IN EURO- DOLLARS
RATHER THAN IN STERLING. IN GIVING ITS APPROVAL FOR
THE BORROWINGS, THE BANK IS FOLLOWING WHAT IN EFFECT IS
A DEBT MANAGEMENT POLICY, STAGGERING REPAYMENT SO AS
NOT TO HAVE TOO MUCH FOREIGN DEBT MATURING IN ANY ONE
YEAR. ANNENBERG

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